



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FORMER BOONE COUNTY
PROPERTY VALUATION ADMINISTRATOR**

**For the Period November 8, 1995 Through June 30, 1996,
and Fiscal Years Ending June 30, 1997, June 30, 1998, June 30, 1999,
and the Period July 1, 1999 Through August 13, 1999**

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.STATE.KY.US/AGENCIES/APA**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE ARISING FROM CASH TRANSACTIONS	3
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE FOR THE PERIOD NOVEMBER 8, 1995 THROUGH JUNE 30, 1996.....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE FOR THE PERIOD JULY 1, 1996 THROUGH JUNE 30, 1997	6
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE FOR THE PERIOD JULY 1, 1997 THROUGH JUNE 30, 1998	8
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE FOR THE PERIOD JULY 1, 1998 THROUGH JUNE 30, 1999	10
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE FOR THE PERIOD JULY 1, 1999 THROUGH AUGUST 13, 1999.....	12
NOTES TO FINANCIAL STATEMENTS	13
SCHEDULE OF COMMENTS AND RECOMMENDATIONS	16
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	23



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Gary W. Moore, County Judge/Executive
Honorable David W. Turner, Former Property Valuation Administrator
Members of the Boone County Fiscal Court

Independent Auditor's Report

We have audited the statement of assets, liabilities, and fund balance arising from cash transactions of the former Property Valuation Administrator (PVA) of Boone County, Kentucky, for the period ending August 13, 1999, and the statements of receipts, disbursements, and changes in cash balance for the period November 8, 1995 through June 30, 1996, fiscal years ending June 30, 1997, June 30, 1998, and June 30, 1999, and the period July 1, 1999 through August 13, 1999. These financial statements are the responsibility of the Former PVA. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of the former PVA were prepared on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

We were unable to obtain written representations from the former PVA regarding the management practices and accounting policies employed during our audit period.

In our opinion, except for the effects on current financial resources as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the receipts, disbursements, and changes in cash balance of the former PVA for the period November 8, 1995 through June 30, 1996, fiscal years ending June 30, 1997, June 30, 1998, and June 30, 1999, and the period July 1, 1999 through August 13, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Gary W. Moore, County Judge/Executive
Honorable David W. Turner, Former Property Valuation Administrator
Members of the Boone County Fiscal Court

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Based on the results of our audit, we discovered misappropriated funds in the amount of \$74,803. We have summarized the manner in which these funds were misappropriated, and presented a Schedule of Comments and Recommendations, included herein, which discusses the following areas of noncompliance.

- The Former PVA Should Make Restitution In The Amount Of \$74,803
- The Former PVA Should Have Used The Office VISA Account For Official Business
- The Former PVA Should Not Have Made Personal Withdrawals Or Transferred Official Funds To Personal Accounts
- The Former PVA Should Have Maintained Proper Documentation For All Expenditures of Official Funds

In accordance with Government Auditing Standards, we have also issued a report dated August 20, 1999, on our consideration of the former PVA's internal control structure and a report dated August 20, 1999, on compliance with laws and regulations.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 20, 1999

BOONE COUNTY
 DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
ARISING FROM CASH TRANSACTIONS

August 13, 1999

Assets

Cash		\$ 35,124
Accounts Receivable Due From Former PVA-		
Disallowed VISA Payments (Note 5A)	\$ 15,314	
Outstanding VISA Liabilities (Note 5A)	12,729 **	
Personal Withdrawals/Transfers (Note 5B)	39,835	
Undocumented Disbursements (Note 5C)	6,925	74,803
		<hr/>
Total Assets		\$ 109,927
		<hr/>

Liabilities and Fund Balance

Liabilities

Outstanding VISA Liabilities (Note 6)	\$ 12,729
---------------------------------------	-----------

<u>Fund Balance</u>	<u>97,198</u>
---------------------	---------------

Total Liabilities and Fund Balance	<u><u>\$ 109,927</u></u>
------------------------------------	--------------------------

** This amount includes interest, late payment fees, and overlimit fees accrued through the August 25, 1999 statement date. The acting PVA paid this amount on September 9, 1999.

The accompanying notes are an integral part of the financial statement.

BOONE COUNTY
 DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE

For the Period November 8, 1995 through June 30, 1996

Receipts

Boone County Fiscal Court:		
Statutory Contribution	\$	47,850
Local Cities:		
Florence	\$	20,000
Walton		3,423
Union		3,274
		<hr/> 26,697
Other Receipts:		
Loan Proceeds - Vehicle	\$	12,500
Sale Proceeds - Office Vehicle		13,000
Fax Service and Copies		2,877
Interest Earned		90
Miscellaneous		516
		<hr/> 28,983
Total Receipts	\$	103,530

Disbursements

Kentucky State Treasurer - Personnel Cost	\$	37,398
Computer Services		12,150
Computer Updates		11,640
Advertising		404
Printing		435
Equipment Rental		309
Copier Lease		947
Equipment Maintenance		799
Office Materials and Supplies		4,872
Photographic Supplies		1,253
Conventions and Travel		1,669
Training		1,797
Dues and Subscriptions		770
Telephone		631
Postage		1,795
Insurance		500
Office Equipment		500

The accompanying notes are an integral part of the financial statement.

BOONE COUNTY

DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE

For the Period November 8, 1995 through June 30, 1996

(Continued)

Disbursements (Continued)

Office Vehicles-

Purchases	\$ 36,000
Installment Payments	4,364
Registration & License	44
Maintenance	412
Petroleum Products	2,071
Official Bond	219
VISA Payments	1,275
Miscellaneous	344
Undocumented Disbursements	13
Personal Withdrawals/Transfers	<u>226</u>

Total Disbursements	\$ <u>122,837</u>
---------------------	-------------------

Change In Cash Balance	\$ (19,307)
------------------------	-------------

Add: Cash Balance November 8, 1995	<u>24,109</u>
------------------------------------	---------------

Cash Balance June 30, 1996	<u><u>\$ 4,802</u></u>
----------------------------	------------------------

BOONE COUNTY
 DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE

Fiscal Year Ending June 30, 1997

Receipts

Boone County Fiscal Court:		
Statutory Contribution	\$	100,700
Local Cities:		
Florence	\$	40,000
Walton		3,303
Union		3,828
		<hr/> 47,131
Other Receipts:		
Fax Service and Copies		<hr/> 10,003
Total Receipts	\$	157,834

Disbursements

Kentucky State Treasurer - Personnel Cost	\$	89,858
Computer Services		8,332
Computer Updates		3,412
Computer Lease		9,718
Printing		234
Equipment Rental		362
Copier Lease		1,623
Equipment Maintenance		751
Office Materials and Supplies		6,084
Data Processing Supplies		315
Photographic Supplies		1,371
Conventions and Travel		1,634
Training		750
Dues and Subscriptions		2,138
Telephone		1,147
Postage		3,470
Insurance		1,424
Official Bond		203
Office Equipment		741
Advertising		75
Audit Services		675

The accompanying notes are an integral part of the financial statement.

BOONE COUNTY
DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE
Fiscal Year Ending June 30, 1997
(Continued)

Disbursements (Continued)

Office Vehicles-		
Installment Payments	\$	9,929
Registration & License		30
Maintenance		1,263
Petroleum Products		2,303
VISA Payments		2,799
Miscellaneous		701
Undocumented Disbursements		1,045
Personal Withdrawals/Transfers		<u>8,015</u>
Total Disbursements		<u>\$ 160,402</u>
Change In Cash Balance	\$	(2,568)
Add: Cash Balance June 30, 1996		<u>4,802</u>
Cash Balance June 30, 1997	\$	<u><u>2,234</u></u>

BOONE COUNTY
 DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE

Fiscal Year Ending June 30, 1998

Receipts

Boone County Fiscal Court:		
Statutory Contribution	\$	100,700
Local Cities:		
Florence	\$	40,000
Union		4,581
Walton		3,677
		48,258
Other Receipts:		
Fax service and copies	\$	11,623
Miscellaneous		568
		12,191
Total Receipts	\$	161,149

Disbursements

Kentucky State Treasurer - Personnel Cost	\$	69,576
Computer Services		785
Computer Updates		6,774
Computer Lease		9,442
Advertising		337
Printing		1,662
Copier Lease		2,120
Office Materials and Supplies		2,571
Photographic Supplies		4,285
Conventions and Travel		4,270
Training		3,845
Dues and Subscriptions		2,068
Telephone		1,558
Postage		1,682
Office Equipment		2,166
Office Vehicles-		
Installment Payments		32,088
Registration & License		112
Maintenance		1,939
Petroleum Products		1,751

The accompanying notes are an integral part of the financial statement.

BOONE COUNTY

DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE

Fiscal Year Ending June 30, 1998

(Continued)

Disbursements (Continued)

VISA Payments	\$	6,733
Miscellaneous		1,994
Undocumented Disbursements		594
Personal Withdrawals/Transfers		<u>4,569</u>
Total Disbursements	\$	<u>162,921</u>
Change In Cash Balance	\$	(1,772)
Add: Cash Balance July 1, 1997		<u>2,234</u>
Cash Balance June 30, 1998	\$	<u><u>462</u></u>

BOONE COUNTY
 DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE

Fiscal Year Ending June 30, 1999

Receipts

Boone County Fiscal Court:		
Statutory Contribution	\$	175,800
Local Cities:		
Florence	\$	40,000
Walton	4,113	44,113
	<hr/>	
Other Receipts:		
Interest	\$	6
Fax Service and Copies	19,380	
Miscellaneous	165	19,551
	<hr/>	<hr/>
Total Receipts	\$	239,464

Disbursements

Kentucky State Treasurer - Personnel Cost	\$	89,138
Computer Supplies	743	
Computer Updates	4,001	
Computer Lease	7,081	
Advertising	168	
Printing	207	
Copier Lease	2,345	
Office Materials and Supplies	4,633	
Photographic Supplies	870	
Conventions and Travel	8,154	
Dues and Subscriptions	4,846	
Telephone	2,810	
Postage	3,226	
Office Equipment	11,290	
Training	143	
Insurance Premiums	1,931	
Mapping Services	750	
Audit Services	335	
VISA Payments	12,091	

The accompanying notes are an integral part of the financial statement.

BOONE COUNTY
DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE
Fiscal Year Ending June 30, 1999
(Continued)

Disbursements (Continued)

Office Vehicles-	
Installment Payments	\$ 25,658
Registration & License	45
Maintenance	1,148
Petroleum Products	2,863
Miscellaneous	6,865
Undocumented Disbursements	7,670
Personal Withdrawals/Transfers	<u>28,645</u>
Total Disbursements	<u>\$ 227,656</u>
Change In Cash Balance	\$ 11,808
Add: Cash Balance July 1, 1998	<u>462</u>
Cash Balance June 30, 1999	<u><u>\$ 12,270</u></u>

BOONE COUNTY
 DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCE

For the Period July 1, 1999 through August 13, 1999

Receipts

Boone County Fiscal Court:		
Statutory Contribution	\$	43,925
Local Cities:		
Florence		10,000
Other Receipts:		
Interest	\$	6
Fax service and copies	1,554	1,560
	<hr/>	<hr/>
Total Receipts	\$	55,485

Disbursements

Kentucky State Treasurer - Personnel Cost	\$	14,693
Copier Lease		180
Office Materials and Supplies		78
Telephone		401
Mapping Services		1,250
Office Vehicles-		
Installment Payments		14,772
Miscellaneous		41
Undocumented Disbursements		1,216
		<hr/>
Total Disbursements		<hr/> 32,631
Change In Cash Balance	\$	22,854
Add: Cash Balance July 1, 1999		<hr/> 12,270
		<hr/>
Cash Balance August 13, 1999	\$	<hr/> <hr/> 35,124

The accompanying notes are an integral part of the financial statement.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS

August 13, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

Officials use a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Officials utilize a fund for statutory contributions and other financial activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statements have been prepared on the basis of cash receipts and disbursements. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of Property Valuation Administrators is upon current financial resources.

C. Cash and Investments

Cash includes amounts in bank accounts.

Kentucky Revised Statute 66.480 authorizes the Property Valuation Administrator to invest in the following including but not limited to, obligations of the United States and of its agencies and instrumentalities; obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States; obligations of any corporation of the United States government; bonds or certificates of indebtedness of this state; and certificates of deposits issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. Effective July 1, 1996, the county's contribution rate for nonhazardous employees was 8.65 percent.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
August 13, 1999
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Property Valuation Administrator maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals the amount on deposit at all times. As of June 30, 1996, June 30, 1997, June 30, 1998, June 30, 1999, and August 13, 1999, the bank balance was fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

Note 4. Leases

The PVA's office is committed to a lease agreement with Lanier Incorporated, for a copier. The agreement requires a monthly payment of \$180 for 48 months to be completed in November 1999. The total balance of the agreement is \$721 as of August 13, 1999.

Note 5. Accounts Receivable

We have included Accounts Receivable on the Statement of Assets, Liabilities, and Fund Balance Arising From Cash Transactions, As of August 13, 1999. The following is a compilation of the individual amounts presented as Accounts Receivable on the aforementioned financial statement:

A) VISA Payments in Excess of Allowable Charges

Our tests of VISA transactions indicated a total of \$7,584 in charges that were considered allowable for business purposes. The former PVA made payments from the official account to VISA in the amount of \$22,898. The \$15,314 ($\$22,898 - \$7,584 = \$15,314$) paid in excess of allowable charges has been disallowed and is included as accounts receivable. Additionally, the outstanding office VISA balance of \$12,729 was paid in full on September 9, 1999, subsequent to Mr. Turner's resignation. This amount has been included as accounts receivable.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
August 13, 1999
(Continued)

Note 5. Accounts Receivable (Continued)

B) Personal Withdrawals and Transfers to Personal Accounts

Our test procedures identified 64 checks made payable to David Turner or Bank One, totaling \$39,835, which were converted to personal use by the former PVA or not supported by proper documentation. This amount is presented as accounts receivable.

C) Disallowed or Undocumented Expenditures

Our tests of disbursements revealed \$6,925 of expenditures not supported by proper and accurate documentation as required. This amount is included as accounts receivable.

Note 6. Subsequent Events

The office VISA account had an outstanding balance of \$12,459 on August 13, 1999. The VISA account accrued interest of \$225, a late payment fee of \$25, and an over the limit fee of \$20, for a total of \$270, that was added to the VISA account. There were no additional charges to this account. This brought the total of the VISA account to \$12,729 as of September 9, 1999. We have included this amount as accounts receivable from the former PVA.

Note 7. Commitments and Contingencies

The Statement of Assets, Liabilities, and Fund Balance Arising from Cash Transactions, As of August 13, 1999, indicates a fund balance of \$97,198. This fund balance is contingent upon the collection of all accounts receivable due to the office. The accounts receivable indicated on the statement are the result of actions taken on the part of the former PVA.

Note 8. Guilty Plea

On August 13, 1999, David W. Turner pled guilty to the charge of theft in excess of \$300, a class D felony. As part of the plea agreement, the former PVA has agreed to make full restitution to his former office.

BOONE COUNTY
DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR
SCHEDULE OF COMMENTS AND RECOMMENDATIONS

For the Period November 8, 1995 through June 30, 1996, and
Fiscal Years Ending June 30, 1997, June 30, 1998, June 30, 1999, and
the Period July 1, 1999 through August 13, 1999

STATE LAWS AND REGULATIONS:

1) The Former PVA Should Make Restitution In The Amount Of \$74,803

Former PVA David W. Turner should make restitution in the amount of \$74,803. This sum is the combination of amounts disclosed in Comments (2), (3), and (4), as well as the outstanding balance on the office VISA at the time of Mr. Turner's resignation. The schedule below presents these amounts in summary form:

Disallowed VISA Payments	\$ 15,314
Disallowed Subsequent VISA Payment	12,729 **
Personal Withdrawals/Transfers	39,835
Undocumented Disbursements	<u>6,925</u>
Total	<u><u>\$ 74,803</u></u>

** This amount includes interest, late payment fees, and overlimit fees accrued through the August 25, 1999 statement date.

We recommend prompt repayment of these taxpayer funds. We are also referring this matter to the appropriate law enforcement authorities.

Management's Response:

As to the responses to Comment 1, we have the following additional responses. First, we appreciate that you have allowed the expenses shown in the handwritten comments on our letter of October 14. However, we have the following comments on disallowed expenses that we believe we have documented and that should be allowed.

- 1) July 7, 1999, check numbers 1877 and 1878 – these documents were produced with our letter of October 14, 1999. We are attaching copies again with this letter. This expense is for MLS and you allowed other MLS expenses with this same sort of documentation.*
- 2) The August 4, 1997, check number 1399 for the Drury Inn you have disallowed should be allowed in total. The documents we produced with our letter of October 14, and which we are again producing, are: receipt from Drury Inn along with a letter that they cannot go back to 1997 to show proof and a sign in sheet and statement from the teacher of the conference showing that David Turner attended all days of the conference. You allowed all other expenses for all other days of the conference.*

BOONE COUNTY

DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR
SCHEDULE OF COMMENTS AND RECOMMENDATIONS

For the Period November 8, 1995 through June 30, 1996, and
Fiscal Years Ending June 30, 1997, June 30, 1998, June 30, 1999, and
the Period July 1, 1999 through August 13, 1999
(Continued)

1) The Former PVA Should Make Restitution In The Amount Of \$74,803 (Continued)*Management's Response: (Continued)*

- 3) *We also believe that disallowing some expenses for conferences when all other expenses were allowed should be changed. For example, the Continental Airlines tickets for August 26, 1996 were for a conference where all other expenses were allowed. Admittedly, Mr. Turner cannot provide the documentation for those tickets, but all other expenses for the conference for both attendees were allowed and the tickets are the only way they could get to the conference. These expenses should be granted. The total amount of these expenses is \$1831.92.*
- 4) *We provided documentation on October 12 for various expenses, from car wash expenses to IAAO conferences, to postage to PVA conference fund and other travelling expenses. We produced documents on October 12 for \$2043.42 in allowable expenses. We are submitting those documents again for your consideration.*

We are submitting a total of 32 pages of documents, all of which have been previously submitted to you.

Auditor's Reply to Management's Response:

A public official's expenditure of public funds must be necessary, reasonable in amount, beneficial to the public, and not primarily personal in nature. On audit by the Auditor, an expenditure that fails to meet any one or more of these requirements is disallowed, and the official must reimburse the public funds expended out of private funds. Funk v. Milliken, Ky., 317 S.W.2d 499, 506-507 (1958).

To obtain credit for expenditures that meet these requirements, the public official is required to submit a detailed account of the expenses, with adequate supporting data. Funk, at 507. The Auditor requires this supporting data to be in the form of proper and accurate documentation of the expense, including but not limited to original invoices and receipts. 45 KAR 1:070. Without such proper and accurate documentation, the Auditor may not allow the expenditure as an authorized official expense, even when the disallowed expenditure appears to have been incurred contemporaneously with other allowed expenditures for which proper documentation has been provided.

The Auditor, on numerous occasions both during and after audit fieldwork, asked Mr. Turner to provide proper and accurate documentation to support claimed official expenditures, but little documentation was provided to support many of Mr. Turner's claimed expenditures until during and after the Auditor's exit conference with Mr. Turner.

Based on the exit conference and post-exit conference documentation provided, the Auditor has allowed and authorized as official many of Mr. Turner's claimed expenditures that had been previously disallowed for lack of proper documentation.

BOONE COUNTY

DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR

SCHEDULE OF COMMENTS AND RECOMMENDATIONS

For the Period November 8, 1995 through June 30, 1996, and
Fiscal Years Ending June 30, 1997, June 30, 1998, June 30, 1999, and
the Period July 1, 1999 through August 13, 1999

(Continued)

1) The Former PVA Should Make Restitution In The Amount Of \$74,803 (Continued)Auditor's Reply to Management's Response: (Continued)

Specifically, as to items 1) and 2) in Mr. Turner's response to Comment 1, above, either no supporting documentation, or no proper and accurate supporting documentation, has been provided for the claimed expenditures; as to item 3) in Mr. Turner's response to Comment 1, above, of the total amount of \$1,831.92 in claimed expenditures that had been previously disallowed for lack of proper documentary support, the Auditor has allowed \$1,482.32 based on the post-exit conference documentation provided, and only the claimed expenditure for airline tickets of \$349.60 remains disallowed because no documentation has been presented to support this expenditure; and as to item 4) in Mr. Turner's response to Comment 1, above, of the total amount of \$2,043.42 in claimed expenditures that had been previously disallowed for lack of proper documentary support, the Auditor has allowed \$1,468.12 based on the post-exit conference documentation provided.

The Auditor has conducted a thorough review of all documentation submitted by Mr. Turner to support the expenditures he claims as official expenses. All claimed expenditures supported by proper and accurate documentation have been credited and allowed, but expenditures for which supporting documentation is either entirely absent or not proper or accurate have been disallowed.

2) The Former PVA Should Have Used The Office VISA Account For Official Business

The former PVA obtained an office VISA account in January 1996 to be used for official business purposes. We performed detailed tests of all transactions conducted with the VISA account and determined the majority of activity conducted with this account was personal in nature. Our tests revealed a total of \$46,541 in charges to this account; \$38,957 of those charges were determined to be personal in nature or not supported by appropriate documentation.

The disallowance of the aforementioned VISA transactions leaves a total of \$7,584 in allowable business expenses. Payments to the office VISA account from official funds totaled \$22,898. We have therefore disallowed the payments made in excess of allowable expenses (\$22,898 - \$7,584 = \$15,314). KRS 132.601 allows the PVA to "obligate and spend any of the local funds accruing to his office...for...expenses necessary to the proper assessment of property or preparation and maintenance of assessment rolls and records." The disallowed expenditures do not meet the criteria set forth in KRS 132.601. We recommend that all expenditures of the PVA's office be made in accordance with KRS 132.601. We further recommend the former PVA reimburse \$15,314 to the PVA office from personal funds.

In addition, the former PVA had an outstanding VISA bill of \$12,729 as of August 13, 1999. The acting PVA paid the VISA company \$12,729 on September 9, 1999. The total billing has been disallowed and we recommend the former PVA reimburse an additional \$12,729 from personal funds.

BOONE COUNTY

DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR

SCHEDULE OF COMMENTS AND RECOMMENDATIONS

For the Period November 8, 1995 through June 30, 1996, and
 Fiscal Years Ending June 30, 1997, June 30, 1998, June 30, 1999, and
 the Period July 1, 1999 through August 13, 1999
 (Continued)

2) The Former PVA Should Have Used The Office VISA Account For Official Business
(Continued)

The schedule below provides a detailed listing of the VISA charges we determined to be unallowable for business purposes.

Cash Advances - Casinos	\$ 32,317
Finance Charges	3,113
Late Payment Charges	230
Service Charge	26
Overlimit Fees	145
Travel Expenses	1,127
Gasoline	584
Meals	430
Training	40
Auto Maintenance	25
Dues	60
Sales Tax	13
Miscellaneous	847
	<hr/>
Total Disallowed Charges	<u>\$ 38,957</u>

Management's Response:

We agree with the conclusion stated. However, there were disallowed business expenses that should have been allowed. All personal expenses were improper and David Turner agrees to pay those that have not already been paid by him. See the explanation above for our position on this conclusion.

BOONE COUNTY

DAVID W. TURNER, FORMER PROPERTY VALUATION ADMINISTRATOR

SCHEDULE OF COMMENTS AND RECOMMENDATIONS

For the Period November 8, 1995 through June 30, 1996, and

Fiscal Years Ending June 30, 1997, June 30, 1998, June 30, 1999, and

the Period July 1, 1999 through August 13, 1999

(Continued)

3) The Former PVA Should Not Have Made Personal Withdrawals Or Transferred Official Funds To His Personal Accounts

The former PVA made numerous payments to himself and transferred funds from official accounts to his personal bank accounts. We discovered 64 checks made payable to the former PVA or his personal accounts in the amount of \$39,835. 45 KAR 1:070 establishes uniform standards and procedures that require "proper and accurate documentation" for expenditures to be considered allowable. Auditors requested supporting documentation for these disbursements on a number of occasions during the audit. The former PVA did not provide the necessary documentation. KRS 132.601 allows the PVA to "obligate and spend any of the local funds accruing to his office...for...expenses necessary to the proper assessment of property or preparation and maintenance of assessment rolls and records." The aforementioned expenditures do not meet the requirements of 45 KAR 1:070, or the criteria set forth in KRS 132.601. We recommend that "proper and accurate documentation" be maintained for all expenditures of the PVA's office, and that all expenditures be made in accordance with KRS 132.601. We further recommend the former PVA reimburse \$39,835 to the PVA office from personal funds.

Management's Response:

We agree with the conclusion stated. However, there were disallowed business expenses that should have been allowed. See the explanation above for our position on this conclusion.

4) The Former PVA Should Have Maintained Proper Documentation For The Expenditure Of Official Funds

Procedures performed during the audit revealed numerous expenditures made by the former PVA which were not supported by proper documentation. As stated in Comment (3), the former PVA was asked to provide supporting documentation on numerous occasions during the audit and failed to do so. We discovered undocumented expenditures in the amount of \$6,925, which are unallowable as business expenses. One of the standards established by 45 KAR 1:070, for determining if expenditures are allowable, is the requirement of "proper and accurate documentation". We recommend all expenditures of official funds have supporting documentation. We further recommend the former PVA reimburse \$6,925 to the PVA office from personal funds.

Management's Response:

We agree with the conclusion stated, but disagree that every expense that was not supported by documentation should be disallowed. Some expenses that were disallowed were obviously business expenses and should have been allowed. In some cases expenses were disallowed when all other expenses related to the business purpose were allowed. Payments of local taxes when the former PVA was out of the state were disallowed when they should have been allowed because the former PVA was not exempt from local tax outside the state.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Gary W. Moore, County Judge/Executive
Honorable David W. Turner, Former Property Valuation Administrator
Members of the Boone County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Boone County Property Valuation Administrator (PVA) for the period November 8, 1995 through June 30, 1996, fiscal years ending June 30, 1997, June 30, 1998, and June 30, 1999, and the period July 1, 1999 through August 13, 1999, and have issued our report thereon dated August 20, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Boone County PVA's financial statements for the period November 8, 1995 through June 30, 1996, fiscal years ending June 30, 1997, June 30, 1998, and June 30, 1999, and the period July 1, 1999 through August 13, 1999, are free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of Comments and Recommendations.

- The Former PVA Should Make Restitution In The Amount Of \$74,803
- The Former PVA Should Have Used The Office VISA Account For Official Business
- The Former PVA Should Not Have Made Personal Withdrawals Or Transferred Official Funds To Personal Accounts
- The Former PVA Should Have Maintained Proper Documentation For All Expenditures Of Official Funds

Honorable Gary W. Moore, County Judge/Executive
Honorable David W. Turner, Former County Property Valuation Administrator
Members of the Boone County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Boone County PVA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The following reportable conditions were noted.

- Lack of adequate segregation of duties.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 20, 1999

